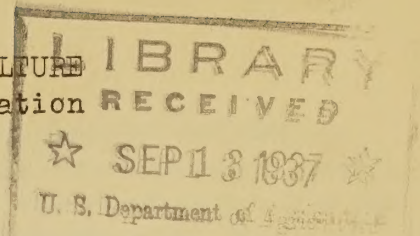


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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Adjustment Administration  
Dairy Section



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FEDERAL MILK CONTROL AND ITS ADMINISTRATION

The statute known as the Agricultural Marketing Agreement Act of 1937 has come about largely as the result of certain conflicting opinions handed down by Federal judges in various parts of the country with respect to the marketing agreement and order provisions of the Agricultural Adjustment Act following the Hoosac Mills case. In the famous Boston case, having to do with the milk order issued for that area, Judge Brewster declared that the entire Agricultural Adjustment Act was rendered invalid as a result of the Supreme Court decision with respect to processing taxes and production control; in the District of Columbia a judge ruled similarly with respect to the Washington, D. C. milk order; in Florida two judges took different attitudes in the matter of two different commodities, one maintaining that the entire act had been rendered invalid, the other declaring that only the processing tax and production control provisions had been affected; in California a fifth judge upheld the marketing agreement and order provisions of the act; and it is of interest to note that, just a few weeks prior to the signing of the Marketing Agreement Act by the President, a group of violators of a certain citrus order in California were fined for this violation, and the fines were collected. As I say, as a result of these conflicting opinions Congress passed and the President signed the new statute re-enacting, amending and supplementing that portion of the Agricultural Adjustment Act which had to do with agreements and orders.

With respect to milk, the new act contains three general provisions. The first of these is that providing for formal regulation and it has to do with the issuance of orders and agreements. In general, this merely re-defines clearly the right of the Secretary of Agriculture to establish such orders and agreements in territories in which milk either moves in interstate channels or directly burdens, obstructs or affects, the commerce of milk in such channels. As under the Agricultural Adjustment Act, both agreements and orders are issued only following the approval by majorities of producers affected. I am







not a lawyer, but it seems to me that there is no clearer indication of the need for the stabilization of a market than the expressed desire for such regulation on the part of a majority of the producers affected. Orders and agreements may be joint with and complementary to those of the States.

There is one general change in the new marketing agreement act, which is worthy of mention here. It will be recalled that under the original act the measuring stick, so to speak, to be applied to prices set up in agreements and orders, was that of parity -- and you all are familiar with that. However, in the case of milk it has developed that in many instances situations obtain which did not prevail during the base period -- such factors as changing health regulations, for instance. These and other items of expense have become so much a part of many producers' present-day costs of production that parity as calculated under the original formula did not always represent a true standard. The new act provides that the Secretary, after having calculated parity, shall examine the conditions prevailing in the particular market under consideration and, if there be present any additional factors, such as increased costs of production, that an adjustment, taking these into consideration, be made. This constitutes the only major change in the agreement and order provisions of the new act.

In addition to this formal regulation, the new act makes two instruments available for milk stabilization, instruments which are named mediation and arbitration. These provide for two distinct but related functions which may be performed by the Secretary if requested by associations of producers. Under the first, it is possible for the Secretary to furnish mediators to assist associations of producers in settling their market differences and problems. Since mediators are not limited in their general procedure beyond the requirement that this procedure effectuate the purposes of the act, the mediation is quite informal.

Under the arbitral powers set up, it is possible for the Secretary to furnish, at the request of an association of producers, an arbitrator to settle any specific difference which has arisen, provided the disputants have agreed to be governed by such arbitration. It is impossible to discuss in detail the operation of these two new duties of the Agricultural Adjustment Administration, since the act has been passed so recently that the final details of procedure are still in process of completion.

The third aid continued to producers under the act, and I believe one of the most important is the right of the Secretary of Agriculture to confer and advise with State officials. The Dairy Section, regulatory bodies of various States, and extension and marketing men generally have collected a vast amount of data and experience having to do with the orderly marketing of milk in the various areas of the country. This provision of the act affords a means whereby this knowledge and experience may be exchanged between these various bodies to the general advantage of everyone concerned.







As many state milk control acts have recently been reenacted and as some have been changed from an emergency to a permanent basis, it is obvious that there will be a continued and increasing necessity for such an interchange of information.

The administration of the act's provisions having to do with milk is the work of the Dairy Section, which is part of the Division of Marketing and Marketing Agreements. Within the Section, and under its Chief, this work falls to three small units, the Statistical Unit, the Analytical Unit, and the unit of which the field men are part.

The work of the Statistical Unit naturally has to do with the compilation of all statistical data with which the Section has to concern itself. This is accumulated from three general sources; namely, State and Federal material, information collected by the field men, and reports of the Market Administrators. In addition to this purely statistical material, this Unit is also responsible for the files of the Section.

The Analytical Unit is made up of several economists who, obviously, have to examine data received from the various markets, analyze it, check proposed order and agreement provisions in the light of these data and of the provisions of the act, and, finally, prepare memoranda and briefs in support of these proposals.

The third unit has the job of keeping in contact with the field. To this work there are three general phases - first, the supervision of the operations of the offices of market administrators in those areas where licenses, orders, or marketing agreements are in effect; second, that preliminary field work having to do with the establishment of orders and marketing agreements; and third, work with State regulatory bodies, commissioners of agriculture, and other similar agencies and persons. For this work, the country is divided into five regions, to each of which is assigned a field man.

The Market Administrator takes a most important part in the administrative work of the Dairy Section. Although he is appointed by the Secretary of Agriculture, he is paid out of a local market administrative fund. His personnel is of his own choosing, and as long as his work meets the standards of the Section and tends to effectuate the purposes of the act, his office management is largely his own affair. It is his duty to see that the provisions of the order for his area are being carried out, which means that his work must be, to a large extent, of an auditing nature. Every handler is required to report to the Market Administrator both his receipts and utilization of milk for every delivery period. Upon the basis of these reports the Market Administrator computes and announces the prices to be paid. Finally, the Market Administrator is charged with seeing that producers are paid in accordance with the provisions of the order under his administration, and, where an equalization plan is in effect, he handles and operates the equalization account. Just as he audits the operations of the handlers subject to the order under his administration, so are his operations audited periodically by government auditors of the the Field Investigation Section, another section of the Division of Marketing and Marketing Agreements.







Here it might be said that the Dairy Section has probably gained quite as much as it has lost in the period of legal difficulty through which it has passed. As is generally known, through this period there have been a considerable number of markets where administration has continued undisturbed by the legal earthquakes in other areas. This apparently has not just happened. Rather, there would seem to be a direct relationship between the degree of success with which regulation has operated and the extent to which it has been possible to acquaint the warring factions with their own problems, convince them that the local administration is being rigidly unbiased and fair in its operation, and, in particular, familiarize all affected parties with the necessity and detail of all regulations initiated or changed.

It has become the practice of the Section to always go into a hearing with each of its proposals laid down in black and white, and with a brief in defense of these proposals made part of the record. This applies to amendments, as well as to initial issues of agreements and orders. It is likewise the practice to see that the various groups, both producer and distributor, are contacted before the preparation of this brief and proposed program. Finally, as has been mentioned earlier, before being put into effect, the instrument as tentatively approved by the Secretary is carried to the field.

This last season has seen a revival in the matter of the regulation of milk. This revival is responsible for making permanent the Federal legislation authorizing such regulation. It is responsible for the renewal or making permanent of temporary acts in many of the States. It seems to me that we are not to take this, however, as an indication that producers, consumers, or distributors have been completely satisfied with government efforts at regulation but, rather, that in clarifying the acts under which we are operating and in making them permanent, an effort has been made to remove the legal insecurities to which many of us have attributed incomplete successes at stabilization. It seems, therefore, that at this period more than at any other during the lifetime of milk regulation in the country, it is necessary for each control body, Federal and State, to take every step which might be available toward effectuating knowledgeable and sane administration, to the end that the authority granted may be effectively exercised. In the case of the Dairy Section, and, I imagine, in that of practically every State body, many things have been found impossible when put to a practical test. Many of the devices that were discarded as impractical were urged upon us by those affected by our regulation. Now, our experience should be developing a storehouse of possibilities. It is this storehouse which we must open to all in order that regulation in milk may furnish producer, consumer, and even dealer a return in excess of the cost involved. Unless we accomplish this, formal regulation as such will cease and again the prices of milk will become completely a matter of barter and trade, as they were in earlier days.

In this connection, the Dairy Section has become more and more cognizant of the fact that any regulation, however good, can be successful only when those affected understand the purposes and ends of such control. Unless the producers and the industry in an area affected







by regulation can be brought to see that the regulation as there applied is fair, impartial, based on facts rather than fiction, and operated to the end of permanently stabilizing the market rather than to arbitrarily jack up prices without regard to other factors, or to discriminate between groups, that regulation will fail. On the other hand, as has been demonstrated in individual instances by probably every control body in the land, it is quite possible where a proper study of a market is made, where the results of that study are explained to the people affected, and where a program based on the conclusions reached from that study are put under a fair and impartial administration, that such a program will operate successfully without resort to the courts - - and this is as it should be.



